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RUEHMN/AMEMBASSY MONTEVIDEO 2137
RUEHSG/AMEMBASSY SANTIAGO 1854
RUEHLP/AMEMBASSY LA PAZ 2994
RUEHRI/AMCONSUL RIO DE JANEIRO 7387
RUEHRG/AMCONSUL RECIFE 3110
RHEHNSC/NSC WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RUCPDOG/USDOC WASHDC 2554
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USDOC FOR 4332/ITA/MAC/WH/OLAC/JANDERSEN/ADRISCOLL/MWAR D
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TREASURY FOR OASIA, DAS LEE AND DDOUGLASS
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E.O. 12958: N/A
TAGS: [PGOV](#) [PINR](#) [ECON](#) [BR](#)
SUBJECT: Despite Sagging Poll Numbers, Alckmin Adviser Thinks
Ex-Governor Can Still Beat Lula

SENSITIVE BUT UNCLASSIFIED - PLEASE PROTECT ACCORDINGLY

SUMMARY

11. (SBU) Fernando Braga, Sao Paulo State Secretary for Economy and Planning, argued that former Governor Geraldo Alckmin will make it to the second round of the presidential election, where he will take advantage of Lula's high negative numbers in the polls to "win in the last five minutes." He regretted that the country's largest media enterprise, Rede Globo, was so partial to the Lula administration, which put Alckmin at a serious disadvantage. Nevertheless, Braga believed the voters would respond to Alckmin's television advertising. A long-time economic adviser to the former Governor, Braga described Alckmin as someone who has no leisure activity, hobby, or recreation, and spent all his "down time" preparing for the next event. According to Braga, Alckmin's top foreign affairs adviser is former Ambassador Sergio Amaral. On the economic side, Alckmin is still consulting with economists from various schools of thought but not allowing any individual to emerge as his senior economic guru or identifying himself with any one philosophy. END SUMMARY.

12. (SBU) Consul General (CG) and Poloff met recently with Fernando Carvalho Braga, Sao Paulo State Secretary for Economy and Planning. Prior to his appointment in April by Governor Claudio Lembo, Braga had served Governor Alckmin for many years as an economic advisor with expertise in privatization and infrastructure. He predicted, as have other Alckmin advisers, that the former Governor will rise in the polls between now and election day as voters begin to respond to his government-subsidized radio and television advertising. Alckmin, he said, comes across powerfully on TV, and advanced in the

polls in June thanks to TV coverage, only to fall back again in July. The goal at this stage, he asserted, isn't to come in first but simply to ensure a second round in which Alckmin will have a good chance due to Lula's high rejection rate.

13. (SBU) Commenting on Alckmin's personal style, Braga remarked that the former Governor has no leisure activity or hobby or preferred means of recreation, but rather devoted all his time and energy to work, whether as Governor or presidential candidate. He dedicated enormous amounts of time preparing for the August 14 presidential debate, to the point that he "knew everything about every subject." (COMMENT: Given that President Lula opted not to participate in the debate, it is unclear how much Alckmin's exhaustive preparation advanced his chances. END COMMENT.)

REGIONAL POLITICS

14. (SBU) Braga predicted that though Lula will do well in the northeast, he will not win there by the overwhelming margins suggested by current polls. His allies running for state offices in the northeast will deliver a lot of votes for him. Lula's Workers' Party (PT), on the other hand, is not strong at the state levels; it currently controls only three governorships and may have even less after the elections. To compensate, the PT tends to be more active at the municipal level. But even the advantage Lula enjoys among poor voters due to programs like "Bolsa Familia" (the direct public assistance program for poor families) is not as clear-cut as many people think, Braga said. When new job-generating infrastructure projects require employees to be formally registered, the poor get some jobs but then become ineligible to receive "Bolsa Familia" benefits.

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15. (SBU) Alckmin had begun to do a little better in southern Minas Gerais, Braga said, the part of the state that is closest to and most influenced by Sao Paulo state. However, much of Minas Gerais is geographically and demographically similar to its neighbor to the northeast, Bahia, and is heavily influenced by that state. Given that former President Itamar Franco, a prominent "Mineiro," (resident of Minas) had recently come out for Alckmin, Braga thought Alckmin's Brazilian Social Democracy Party (PSDB) colleague, Governor Aécio Neves, would be compelled to campaign more strenuously for Alckmin. (COMMENT: Neves, who in his bid for re-election holds an amazing 62-point lead in the latest polls, is widely believed to prefer that Lula defeat Alckmin because it will help make Neves the PSDB's obvious presidential candidate in 2010. How seriously he would be embarrassed if Lula carried his home state is unclear. Last week, in a high-profile interview with leading daily "Folha de Sao Paulo," he criticized the "hegemony of Sao Paulo state" in national politics, complaining that Brazil's most populous state has for years enjoyed undue influence on the national political scene to the detriment of other states and the nation as a whole. Though neither was born in Sao Paulo, both former president Fernando Henrique Cardoso (FHC) and President Lula have been identified with Sao Paulo for their entire political careers; Alckmin, of course, is a native "Paulista" from the state's interior. END COMMENT.)

16. (SBU) The strategy of the opposition coalition, Braga said, was to bring the political corruption issue to voters' attention but not to harp on it to the exclusion of other issues. Many voters from the lower classes, he opined, are much more interested in their economic well-being, and any appeal to cleaner government must be accompanied by programs that will generate jobs and lead to salary increases.

17. (SBU) Braga lamented the power of "Rede Globo," the nation's largest media enterprise, to define the terms of public debate. Certain elements of the Globo enterprise enjoyed journalistic independence, he said, citing the high-profile "National Journal" nightly TV news program and the "Globo" newspapers. However, on the whole, the conglomerate had done very well under Lula, reducing its large debts thanks in large part to massive advertising revenues

from government agencies and state-owned companies. Whereas founder Roberto Marinho had begun as a journalist, his sons, who now control the company, are all business entrepreneurs and are much more interested in the company's commercial interests. Unless something happens to make Alckmin a more likely winner, "Rede Globo" will continue to tilt its coverage in Lula's favor, he asserted.

FOREIGN POLICY AND ECONOMICS

¶8. (SBU) Asked about major players in the Alckmin campaign, Braga said that former Ambassador Sergio Amaral was far and away the most important advisor on foreign policy, though former Ambassador Rubens Barbosa also remains influential. (Many PSDB insiders have told us privately that Amaral would be the next Foreign Minister if Alckmin were to win the election.) There is apparently no one person in charge of economic policy. Alckmin is listening to PSDB economists from various schools - the Catholic University of Rio de Janeiro, which tends to be more orthodox; the University of Campinas, home of "developmentalist" economists; and from the University of Sao Paulo and the Getulio Vargas Foundation, which Braga characterized as "hybrids." However, Alckmin has been careful not to let any one individual emerge as a leading candidate for Finance Minister nor to identify his own policy preference too clearly, though Braga predicts a President Alckmin would not be "too tied up in orthodoxy." Rather, he has attempted to keep his balance with many

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economists of differing views all in the boat, trying to "respect the degrees of vanity" of each.

COMMENT

¶9. (SBU) People close to Alckmin and his campaign continue to assert that the intense media exposure of the last five weeks of the campaign will enable Alckmin to surge while Lula, who they believe has already achieved his ceiling, will fade. Such a scenario appears increasingly unlikely, though Alckmin might still be able to do well enough to force a second round. (Ironically, leftist candidate Heloisa Helena, formerly of the PT, might be able deny Lula a first round victory, if she can get about 15 percent of the vote.) It's not clear at this point whether opposition supporters are now engaged in wishful thinking and fantasy or whether they are banking on some as yet undefined "October surprise" to tilt the balance against Lula in the second round. END COMMENT.

¶10. (SBU) This cable was cleared/coordinated with Embassy Brasilia.

MCMULLEN